

March 4, 2003

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**AMENDMENT NO. 1 TO LEASE NO. 71896
CHILD SUPPORT SERVICES DEPARTMENT
5500 SOUTH EASTERN AVENUE, COMMERCE
(FIRST) (3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Chairman to sign the attached lease amendment with CCA Corporate Center, LLC, Lessor, for 6,544 additional rentable square feet of office space and 26 parking spaces which also extends the existing lease term for five additional years for the Child Support Services Department (CSSD), at an initial annual maximum cost increase of \$255,550. Costs are 100 percent offset by State and Federal subvention.
2. Authorize the Lessor and/or Director of the Internal Services Department (ISD) at the direction of the Chief Administrative Office (CAO), to acquire telephone systems for CSSD to augment the current system at a cost not to exceed \$75,000. At the discretion of the CAO, all or part of the telephone, data, and low voltage systems may be paid in a lump sum by CSSD in addition to other tenant improvement (TI) allowances provided under the lease.
3. Find that this lease is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Class 1, Section r, of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15061 (b) (3) of the State CEQA Guidelines.
4. Approve the project and authorize the CAO, CSSD and ISD to implement the project. The lease will be effective upon approval by your Board.

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PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The child support services program has been in operation at this facility since 1999. The proposed lease amendment will allow CSSD to augment its existing 215-member staff facility with additional office space to relieve overcrowding in the existing facility and will accommodate technical staff moving within the existing building and from the adjacent headquarters facility. The new space will accommodate technical support for case management units servicing communities countywide. The space will also be used to house a newly created "State Hearing Division" responsible for representing the Department in quasi-judicial procedures before a State Administrative Law Judge. The lease will be for up to five years commencing on completion of the TIs for the new office space.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The Countywide Strategic Plan directs that we improve the workplace environment in order to enhance quality and productivity (Goal 2, Strategy 2) and that we strengthen the County's fiscal capacity (Goal 4). In this case, we are consolidating multiple departmental functions and housing a subvented program in leased space, in accordance with the Strategic Asset Management Principles, as further outlined in Attachment A.

FISCAL IMPACT/FINANCING

The base annual rental cost of this lease will initially range from a fixed base rent of \$133,497 to a maximum of \$255,550 depending on the total amount of reimbursable TI funds expended for the project.

The elimination of the Consumer Price Index (CPI) provision in the existing lease of up to 4% per year was negotiated in exchange for an approximate rental increase of \$.10 per square foot per month, or \$1.20 per square foot annually. Over the past three years, the CPI has averaged 3.25 percent. Assuming a similar average for future CPI, rent for the facility under terms of the existing lease would approximate \$4.919 million over five years. The proposed flat rate lease would equal \$5.006 million over five years.

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resulting in a difference of \$17,000 annually over five years. The increase in rent however is offset by a \$10 per square foot, or \$65,440, tenant improvement allowance required to build out the space to meet CSSD program requirements. Moreover, the flat rental rate is recommended in order to eliminate ongoing problems with the owner in calculating operating expenses thus resulting in a more effective method for administering the lease. Finally, a cancellation clause was negotiated to protect the County from unforeseen reductions in State funding which is used to pay rent for leased space.

5500 S. EASTERN AVE.	EXISTING LEASE	PROPOSED AMENDMENT NO. 1	CHANGE
Area (Square feet)	42,250	48,794	+6,544
Term	10/04/99 to 10/03/04 (5 years)	5 years upon TI completion	None
Annual Base Rent	\$811,200 (\$19.20/sq. ft.)*	\$995,397 (\$20.40/sq.ft.)	+\$1.20
TI Allowance	\$507,000 (\$12.00/sq. ft.)	\$65,440 (\$10.00/sq. ft.)	-\$2.00
Additional TI Allowance*	\$1,183,000 (\$28.00/sq. ft.)	\$261,760 (\$40.00/sq. ft.)**	+\$12.00
Maximum Annual Rent	\$889,211 (\$21.05/sq. ft.)	\$1,144,761 (\$23.46/ sq. ft.)***	+\$255,550
Parking Included in Rent	169	195	+26
Cancellation	None	Anytime at or after 36 th month upon 180 days notice	New
Option to Renew	One 5-year, 270 day notice	One 5-year, 270 day notice	None
Rental Adjustment	Annual CPI 4% Cap	None	-4%

* Includes cpi increases to date.

** The Maximum Additional TIs if utilized equates to approximately \$65,196 annually, or \$9.96 per square foot annually, for the proposed additional space only amortized at 9 percent over the five-year lease term.

*** This figure includes existing amortized TIs of \$84,176 annually from the original lease and is due to be paid off 10-03-04.

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Sufficient funding for the proposed base lease cost is included in the 2002-03 Rent Expense Budget and will be charged back to CSSD. Sufficient funding is available in the 2002-03 CSSD Budget to cover the projected lease costs. Costs associated with the proposed lease will be 100 percent funded via State (34 percent) and Federal (66 percent) funding.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

CSSD has been housed at this location since October 4, 1999 when the building was improved for County use. The proposed expansion space will augment the existing facility and house staff from the Department's Bureau of Information Technology. This unit includes such administrative functions as Management Services, Technical Services, and two California State mandated programs: Synergy and Consortia. In addition, a newly created "State Hearing Division" will occupy a portion of the new office space.

The proposed five-year lease amendment provides for approximately 6,544 rentable square feet of office space and 26 parking spaces. The amendment contains the following provisions:

- \$ Commencement of the rent and the new five-year term extension will be effective upon completion and acceptance of the TIs for the newly acquired office space.
- \$ A full service gross basis with the Lessor responsible for all operating and maintenance costs.
- \$ 26 additional parking spaces included in the rental rate which is sufficient to meet the parking needs of the staff.
- \$ A negotiated cancellation provision at or anytime after the third year by giving 180 days prior written notice which was not previously included in the original lease.
- \$ A \$65,440, or \$10 per square foot non-reimbursable TI allowance included in the base rental rate.

- \$ A reimbursable additional TI allowance and discretionary TI allowance of \$261,760 or \$40 per square foot for furniture and additional TIs, which may be paid in lump sum or amortized over the term remaining in the lease at an annual interest rate of 9 percent.
- \$ An approximate annual increase in the base rent of \$1.20 per square foot for the facility in exchange for the elimination of the CPI provision inherent in the original lease which called for a potential increase of up to 4% per year of the operating expense rent. The new rent will be flat for the term of the lease subject to a one-time \$.02 per month or a \$.24 annual increase at the thirtieth month of the extended lease term.
- \$ All TI allowance expenditures shall be approved in writing by the CAO. All construction shall be in compliance with Paragraph 8, "Suite 150 Tenant Improvements," as referenced in the amendment.

Expansion within the building is the most reasonable fiscal and practical approach to relieve overcrowded conditions at this facility. Additionally, CAO Real Estate staff surveyed a three-mile radius of the CSSD Headquarters at 5770 S. Eastern Ave., Commerce, to determine the market rate of comparable sites. Based upon said survey, staff established that the base rental range for similar property is between \$18.60 and \$23.40 per square foot per year full-service gross. Thus, the base annual rent of \$20.40 for the proposed lease represents the middle range of market rates for the area. Attachment B shows County owned and leased facilities within the service area for these programs and there are no suitable County-owned or leased facilities available for the program.

The Department of Public Works has considered this facility and found it suitable for County's occupancy.

The construction and operational costs associated with a child care facility at this location are not financially feasible for the Department at this time.

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NEGATIVE DECLARATION/ENVIRONMENTAL IMPACT REPORT

The CAO has made an initial study of environmental factors and has concluded that this project is exempt from CEQA as specified in Class 1, Section r, of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15061 (b) (3) of the State CEQA Guidelines.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

It is the finding of the CAO that the proposed lease expansion is in the best interest of the County and will adequately provide the necessary space for this County requirement. In accordance with your Board's policy on the housing of any County offices or activities, CSSD concurs in this lease recommendation.

CONCLUSION

It is requested that the Executive Officer, Board of Supervisors, return four originals of the executed Lease and Agreement, two certified copies of the Minute Order and the adopted, stamped Board letter to the Chief Administrative Office, Real Estate Division at 222 South Hill Street, 4th Floor, Los Angeles, CA 90012 for further processing.

Respectfully submitted,

DAVID E. JANSSEN
Chief Administrative Officer

DEJ:SNY
CWW:NCH:hd
Attachments (3)
c: County Counsel
Auditor-Controller
Child Support Services Department
Internal Services Department
5500Eastern.b

CHILD SUPPORT SERVICES DEPARTMENT
5500 SOUTH EASTERN AVENUE, COMMERCE
Asset Management Principles Compliance Form

1.	<u>Occupancy</u>		Yes	No	N/A
	A	Does lease consolidate administrative functions? ²	X		
	B	Does lease co-locate with other functions to better serve clients? ²			X
	C	Does this lease centralize business support functions? ²			X
	D	Does this lease meeting the guideline of 200 sf of space per person? ² Ratio: 1/191	X		
2.	<u>Capital</u>				
	A	Should program be in leased space to maximize State/Federal funding?	X		
	B	If not, is this a long term County program?			X
	C	Is it a net County cost (NCC) program? 0.00% NCC		X	
	D	If yes to 2 B or C; capital lease or operating lease with an option?			X
	E	If no, are there any suitable County-owned facilities available?		X	
	F	If yes, why is lease being recommended over occupancy in County-owned space?			X
	G	Is Building Description Report attached as Attachment B?	X		
	H	Was build-to-suit or capital project considered? ? Size of requirement is not conducive to build-to-suit/capital project and the proposed building is available at competitive market rate and affords an opportunity to co-locate existing program.		X	
3.	<u>Portfolio Management</u>				

A	Did department utilize CAO Space Request Evaluation (SRE)?	X		
B	Was the space need justified?	X		
C	If a renewal lease, was co-location with other County departments considered?			X
D	Why was this program not co-located?			X
	1. ___ The program clientele requires a "stand alone" facility.			
	2. ___ No suitable County occupied properties in project area.			
	3. ___ No County-owned facilities available for the project.			
	4. ___ Could not get City clearance or approval.			
	5. <u>X</u> The Program is being co-located.			
E	Is lease a full service lease? ²	X		
F	Has growth projection been considered in space request?	X		
G	Has the Dept. of Public Works completed seismic review/approval?	X		
	¹ As approved by the Board of Supervisors 11/17/98			
	² If not, why not?			

Attachment B

**Space Search Cities of Commerce, Bell, Bell Gardens, Vernon,
Maywood, South Gate, Pico Rivera, Santa Fe Springs**

LACO	FACILITY NAME	ADDRESS	SQ FT GROSS	SQ FT NET	OWNERSHIP	SQ FT AVAILABLE
Y300	Los Nietos Com Sr. Center & Library	11640 Slauson Avenue, Santa Fe Springs 90606	16,374	15,877	Owned	None
A190	Public Library- Bell Library	4411 E. Gage Avenue, Bell 90201	4,863	3,515	Leased	None
B460	DPSS-Gain Program Region V1 Office	5460 Bandini Boulevard, Bel 90201	31,400	21,815	Leased	None
A308	Public Library-Bell Gardens Library	7110 Garfield Avenue, Bell Gardens 90201	5,119	4,213	Permit	None
D030	Public Library-Maywood Library	4323 E.Slauson Avenue, Maywood 90270	3,362	2,881	Permit	None
0032	Pw Road-Div #146/446 Yard Office	9521 E. Beverly Blvd., Pico Rivera	660	594	Owned	None
F492	Pw Flood-San Gabriel Spreading Grounds Office	9001 Mnes Avenue, Pico Rivera	735	662	Owned	None
4348	Pw Road-Div #146/446 Maint Yard Office	7828 S. Sepaps Avenue, Pico Rivera	1,080	708	Owned	None
4983	Public Lib-Pico Rivera Library	10355 Slusher Drive, Santa Fe Springs	7,700	6,317	Owned	None
5641	Public Lib-Rivera Lib	9834 Norwalk Boulevard, Santa Fe Springs	6,724	5,404	Owned	None
A355	DCFS-Region IV Offs & Training Center	8640 California Avenue, South Gate	65,568	50,633	Leased	None

A498	DCFS-Kinship Support Srvs Program Center	4035 Tweedy Blvd., South Gate	5,875	5,580	Leased	None
4049	South Gate Crthse	12000 Garfield Avenue South Gate	18,610	10,303	Owned	None
5934	Pub Lib-Leland Weaver Library	55525 East Imperial Hwy, South Gate	19,461	16,955	Owned	None
D980	Public Lib - Hollydale Library	5525 East Imperial Hwy., South Gate	5,530	4,440	Leased	None
F322	PW Flood-imperial Yard Office	5525 East Imperial Hwy., South Gate	1,440	1,296	Permit	None
F325	PW Flood-imperial Yard Office	5525 East Imperial Hwy., South Gate	2,600	2,340	Permit	None
F326	PW Flood-imperial Yard Office	5525 East Imperial Hwy., South Gate	800	720	Permit	None
F328	PW Flood-imperial Yard Shop Office	5525 East Imperial Hwy., South Gate	64	58	Permit	None
F328	PW Flood-Imperial Yard Shop Office	5525 East Imperial Hwy., South Gate	21,902	15,325	Owned	None
6467	AG Com/Wts Meas - South Gate Admin.	11012 Garfield Avenue South Gate 90280	21,902	15,325	Owned	None